



A Review of the First 10 Years of the Master Settlement Agreement

Fiscal Brief

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Since 1999, North Carolina has received over \$1.7 billion in MSA payments and used these funds for grants, debt service, cancer research, General Fund availability, and the creation of an endowment.

Executive Summary

North Carolina is one of 46 states that are party to the Master Settlement Agreement (MSA) with tobacco product manufacturers. As one of the signatories of the MSA, North Carolina is expected to receive annual payments totaling approximately \$4.56 billion from participating manufacturers over the first 25 years of the agreement, 2000 to 2025; payments are in perpetuity for as long as a participating manufacturer sells cigarettes. North Carolina has already received over \$1.7 billion in MSA funds. This fiscal brief is intended to provide background information on the administration and use of these funds.

To distribute its funds, the North Carolina General Assembly created three grant-making entities: the Health & Wellness Trust Fund Commission (HWTF), the Tobacco Trust Fund Commission (TTF), and the Golden LEAF Foundation. HWTF and TTF are State entities, which use their share of the annual MSA payments for grants. Golden LEAF is an independent nonprofit, which places its share of the MSA payment in an endowment and uses the income from that endowment for grants.

Through FY 2009-10, Golden LEAF, HWTF, and TTF have distributed nearly \$707 million as grants to entities across North Carolina. Eligibility requirements vary across the organizations, and grants range in value from a few thousand dollars to multiple millions.

In addition to grants, the General Assembly has redirected over \$534.4 million in MSA funds from HWTF and TTF to:

- Fund the debt service for new university buildings;
- Support cancer research at UNC; and
- Support General Fund availability.

Background

In 1998, the Attorneys General from 46 states, including North Carolina, reached an agreement that, once approved by each state, ended their legal battle with four major tobacco manufacturers over health care costs and other damages associated with cigarette smoking.¹ Each state accepted the provisions of the Master Settlement Agreement (MSA) through individual Consent Decrees. In signing the MSA, tobacco companies agreed to a number of conditions, ranging from restrictions on advertising to annual payments to states, and received immunity from state liability claims over harm caused by tobacco.²

The original settlement included the four major tobacco product manufacturers – Philip Morris USA, RJ Reynolds Tobacco Company, Brown & Williamson, and Lorillard Tobacco. However, many smaller manufacturers who were not named in the original law suit have signed the MSA and are subject to its conditions, but also have immunity from liability. Together, these companies are known as Participating Manufacturers (PMs).³

In 1999, the National Association of Attorneys General (NAAG) estimated that total payments to the settling states would exceed \$206 billion through 2025. At the time, North Carolina was expected to receive approximately 2.3 percent of the total annual payments to states, or \$4.56 billion through 2025.⁴

¹ The four states not party to the MSA are Florida, Minnesota, Mississippi, and Texas; they settled with the tobacco companies prior to the MSA.

² For a summary of the conditions of the MSA, [click here](#).

³ For a current list of participating manufacturers, [click here](#).

⁴ Wilson (2), Tobacco Settlement at a Glance.